

MONTHLY REVENUE REPORT

August 2007

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.62 billion in August 2007, which represented a 1.5% increase from last year's level. After falling below the year-ago level in seven of the first eight months of FY 2006-07, tax collections have now topped the year-ago level for two consecutive months. Much of the increase in August was due to growth in income tax collections, but sales, State education, casino gaming, and oil and gas severance tax collections were also up in August. These gains in revenue were offset in part by declines in the revenue generated by the use, tobacco, single business, insurance, and real estate transfer taxes.

So far in FY 2006-07, tax collections are down 0.7% from last year's level. Based on the Senate Fiscal Agency's monthly breakdown of the May 2007 consensus revenue estimates for FY 2006-07, fiscal year-to-date tax collections are on target with the revenue estimates. When tax collections are distributed between the General Fund and the School Aid Fund based on the constitutional and statutory earmarkings, tax collections for both of these Funds also are tracking very closely with their respective consensus revenue estimates.

Net income tax revenue (gross collections less refunds) totaled \$508.5 million in August, which represents an increase of 5.9%. Gross income tax collections (withholding, quarterly, and annual payments) were up 5.4% to \$529.8 million. Despite the fact that payroll employment continues to lag behind the year-ago level, income tax withholding payments increased 5.5% in August to \$508.3 million. Quarterly payments were down 2.1% to \$9.2 million and annual payments were up 8.8% to \$12.3 million. Gross income tax collections were offset in part by \$21.3 million in refund payments. These refund payments were down 5.8% from last year's level. On a fiscal year-to-date basis, net income tax collections are up 3.5% and are tracking up slightly from the consensus estimate for FY 2006-07.

Sales tax receipts totaled \$575.8 million in August, which was up 1.2% from last year's level. This marked only the fourth time this fiscal year that monthly sales tax collections have topped the year-ago level. Sales tax receipts from motor vehicle transactions were up 1.4% in August and sales tax receipts from all other taxable retail sales were up 1.1%. Despite the increase in August, fiscal year-to-date tax collections remain below last year's level by 1.4%, representing a decline that is slightly greater than the 1.1% decline expected for FY 2006-07.

Single business tax collections dropped 15.9% in August to \$82.9 million. Much of this decline was due to fluctuations in the timing of these business tax payments compared with last year's monthly pattern. Using a three-month moving average to help smooth out these noneconomic timing fluctuations, single business tax receipts were down 2.0% for the three months ending in August. So far in FY 2006-07, single business tax receipts have fallen below the year-ago level in all but two months. As a result, single business tax collections are down 7.6% on a fiscal year-to-date basis and are tracking below the consensus revenue estimate.

Tobacco tax collections totaled \$99.6 million in August, representing a decline of 3.5% from last year's level. On a fiscal year-to-date basis, tobacco tax collections are down 3.7%, representing a decline that is greater than the 2.7% decline estimated for FY 2006-07.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for August 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE
AUGUST 2007
(dollars in millions)

Type of Revenue	August Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$529.8	5.4%	\$6,808.6	3.5%	\$8,037.8	2.4%
Refunds	(21.3)	(5.8)	(1,642.8)	3.5	(1,700.7)	4.6
Net Income Tax	508.5	5.9	5,165.8	3.5	\$6,337.1	1.8
Sales Tax	575.8	1.2	5,455.3	(1.4)	6,562.3	(1.1)
Motor Vehicles	70.8	1.4	606.6	1.4	---	---
All Other Sales Tax	505.0	1.1	4,848.7	(1.7)	---	---
Use Tax	122.2	(1.9)	1,144.9	(1.6)	1,394.5	1.4
Tobacco Taxes	99.6	(3.5)	931.6	(3.7)	1,137.0	(2.7)
Single Business Tax	82.9	(15.9)	1,455.0	(7.6)	1,810.3	(1.7)
Insurance Tax	18.0	(38.8)	184.7	(6.4)	216.0	(1.6)
State Education Property Tax	134.7	26.4	661.2	11.0	2,069.1	3.3
Real Estate Transfer Tax	25.4	(1.6)	196.8	(22.7)	226.2	(24.0)
Casino Wagering Tax ⁴⁾	13.5	3.1	148.7	4.6	163.0	4.8
Oil & Gas Severance Tax	6.4	12.3	55.9	(23.6)	62.0	(23.9)
Other Taxes ⁵⁾	30.4	(20.0)	346.8	(2.8)	457.2	2.5
Total	\$1,617.4	1.5%	\$15,746.7	(0.7)%	\$20,434.7	(0.1)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$232.4	48.2%	\$2,174.5	8.1%	\$2,290.3	3.6%
Net to School Aid Fund ⁴⁾	\$ 75.6	47.4%	\$ 696.0	11.2%	\$ 710.0	3.2%

1) Total collections are unadjusted cash collections unless otherwise noted.

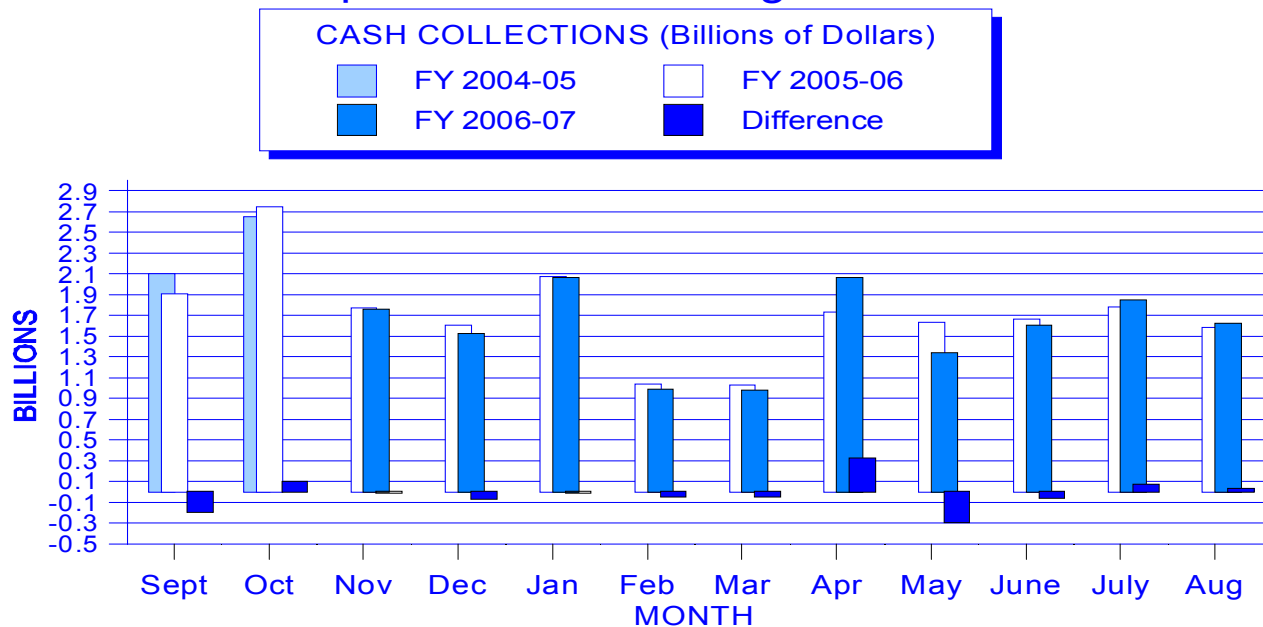
2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
September 2005 to August 2007



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.